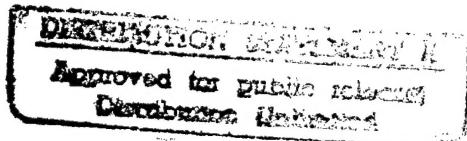




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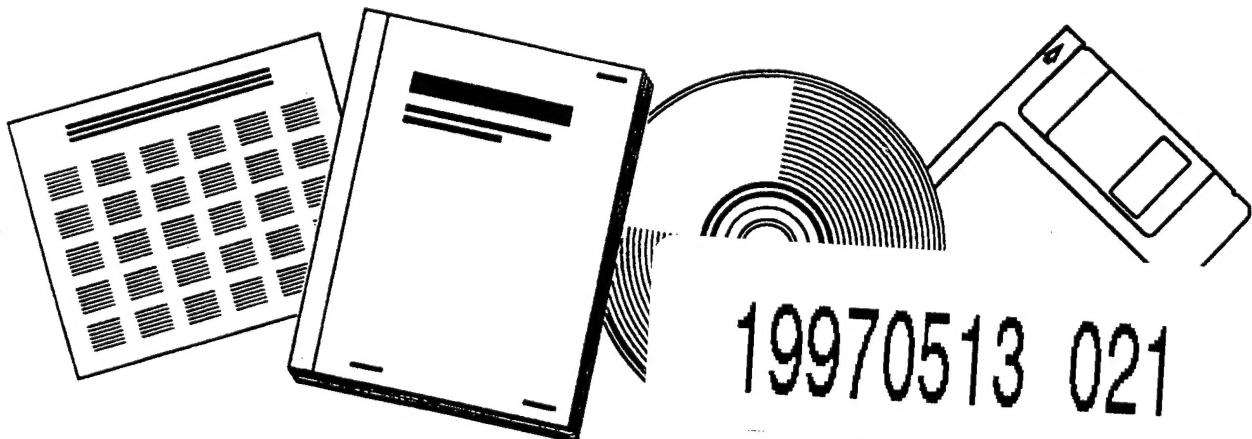
SUMMARY OF REGIONAL HEARINGS ANNEX M TO ADJUSTING TO THE DRAWDOWN REPORT OF THE DEFENSE CONVERSION COMMISSION



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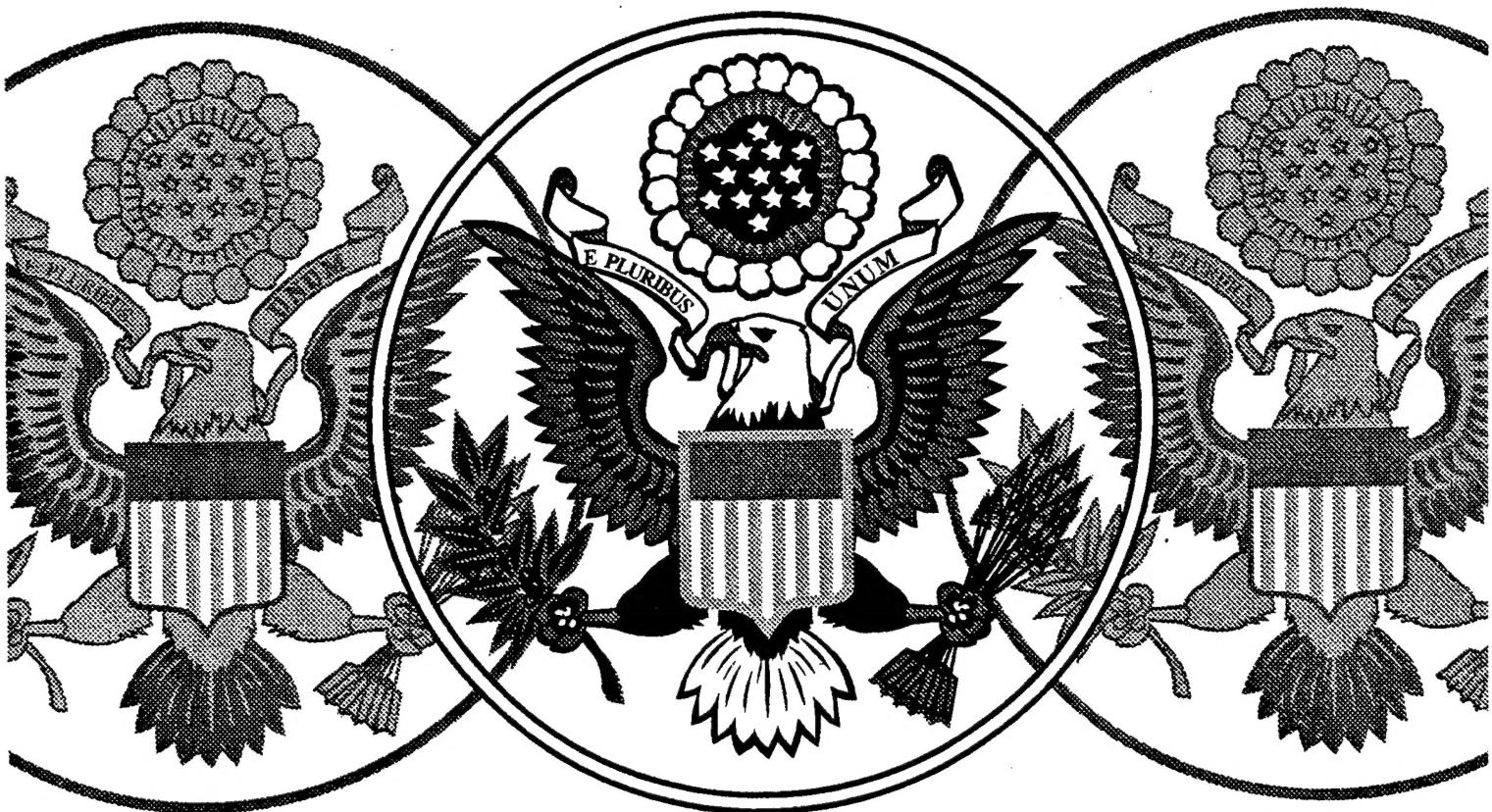
DEFENSE CONVERSION COMMISSION
WASHINGTON, DC

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U.S. DEPARTMENT OF COMMERCE
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Summary of Regional Hearings



Annex M to
Adjusting to the Drawdown

Report of the
Defense Conversion Commission

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Abstract: The document provides a summary of presentations made at the Defense Conversion Commission Regional Hearings that took place in Atlanta, Georgia; Long Beach, California; St Louis, Missouri; Fort Worth, Texas; Groton, Connecticut; and Seattle, Washington between July 30 and September 24, 1992.

Summary of Regional Hearings

Annex M to

Adjusting to the Drawdown

Report of the

Defense Conversion Commission

February 1993

Prepared by: Andrew P. Gilmour
Kristen Sheehan

This paper was prepared as input to the Defense Conversion Commission in preparation of its December 1992 Report, *Adjusting to the Drawdown*. This paper does not necessarily reflect the findings, conclusions, or recommendations of the Defense Conversion Commission, the Department of Defense, or any Federal department or agency, nor does the Commission necessarily endorse the views expressed herein.

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FINDINGS FROM THE ATLANTA HEARING, JULY 30, 1992

The following are themes from the aggregate testimony.

- * *University-conducted research* is important and should be continued.
- * *Training/retraining programs* can be established to target specific groups, as well as encourage technology transfer.
- * *Program duplication* should be eliminated. State job service offices and transition programs should work together and not overlap.
- * *The assistance of exiting military* was sought (during their terminal 90 days or so) for help in training lower-skilled, less-motivated people.
- * *There is a need to focus on the prevention side of problems.* Local barriers to the creation of assistance/training programs should be eliminated. Anti-truancy programs should be established, as 100% of the juveniles who commit crimes have records of truancy.

JULY 30, 1992 DEFENSE CONVERSION COMMISSION HEARING, ATLANTA, GA

The first regional Defense Conversion Commission hearing was held in Atlanta on July 30, 1992. DCC participants: Chairman Berteau, Commissioners Higgins, Lavin, and May. DCC staff members: Hanley and Porth.

Witnesses:

MGen Gerald J. Carey, Jr., USAF, (Ret.)
Associate Director, Georgia Tech Research Institute

Summary of Presentation: Universities have contributed strongly to the defense effort through basic and applied research conducted to maintain the technological edge in critical technology areas. Losing this capability could be detrimental to U.S. national security interests. Urged continued high levels (\$74 billion in fiscal year (FY)1993) of funding for research and development (R&D). The level of Federal research funded by the Department of Defense (DoD) at Georgia Tech declined \$19.2 million to \$106.2 million, in FY 1992.

The level of recovery for overhead administrative costs has been frozen by the Office of Management and Budget (OMB) at 26% of modified total direct costs, which is not sufficient for those contracts that require extensive investments in antenna ranges, anechoic chambers, and other such installations. This leads to under-recovery on Government-sponsored research contracts. (Atlanta Hearing Transcript pp. 5-9, 12-15)

Dr. Gary Poehlein
Vice President for Interdisciplinary Programs, Georgia Institute of Technology.

Summary of Presentation: Identified some of the ways that universities could assist people with the conversion from defense to other directions. Poehlein puts together interdisciplinary groups for problem-solving in research. Standard graduate programs could be funded, targeted-graduate studies on particular research topics, assistance in acquiring the required certifications would be possible, and entrepreneurial and industrial assistance could be given. When students work closely with supporting companies, technology transfer occurs

most expeditiously between universities and companies. (Atlanta Hearing Transcript pp. 9-15)

Mr. Roy D. Terry
Co-owner of a uniform company in Roanoke, Alabama

Summary of Presentation: Terry Manufacturing Company recently concluded an innovative shared-production arrangement between the major customer for its commercial uniforms (McDonalds), DoD, and itself. This arrangement provides a workforce trained to produce DoD goods at a 20% surged production rate during a national emergency, while normally producing uniforms for the commercial sector. This is similar to the Civil Reserve Air Fleet (CRAF) and the Sealift Readiness Program (SRP) whereby DoD pays to reserve mobilization resources for call-up and use during contingencies. (Atlanta Hearing Transcript pp. 15-19)

Mr. Robert E. David
Executive Director, South Carolina Employment Security Commission

Summary of Presentation: Paid tribute to the important contributions of veterans. Described job placement and training programs for veterans run by military services, the Federal Government, and states, including South Carolina. Indicated that programs need to be coordinated to avoid wasted or duplicated efforts. Specific programs available for veterans in transition to the civilian workforce include:

Transition Assistance Program (TAP), run by DoL, military services, and DVA. This program is intended to be a comprehensive system to prepare military personnel leaving the service in a caring and organized manner.

Defense Outplacement Referral System (DORS), an employment referral system developed to assist DoD employees and their spouses in transition to civilian employment. Provides automation of mini-resumes of military and civilian personnel to potential employers who buy into the system. Computer system located in DoD installations throughout the nation.

Interstate Job Bank, the nation's automated employment system links employers' job service and their potential employees. Located in 2,300 job service offices throughout the nation. South Carolina has 39 of these offices and placed 130,000 people in jobs in 1991.

Alternatives routes to teacher certification in South Carolina are being examined by the State Department of Education. (Atlanta Hearing Transcript pp. 19-26)

Ms. Delores Crockett

Regional Administrator, Women's Bureau of the Department of Labor

Summary of Presentation: Described the different issues and barriers facing women who are veterans or spouses of veterans, and also described the Displaced Homemakers program, which assists a person who has lost her primary source of income, after not working outside the home for several years. (Atlanta Hearing Transcript pp. 26-29)

Gen. John H. Stanford, U.S. Army (Ret.)
Fulton County Manager

Summary of Presentation: Described the likely displacement of lower-skilled, less-motivated people by those leaving the Defense Department, and the importance of ensuring that those people who are displaced acquire the necessary skills and motivations to be productive members of society. Mentioned problems faced by Fulton County and other municipalities and regional Governments, and described some of the innovative solutions that he is trying to implement. He argued that because the DoD-contractor relationships will be less important regionally, there needs to be a new type of relationship between DoD and cities/states, and encouraged DoD to think about more direct action and support to the local and state levels.

He described the need to focus on the prevention side of the problem, not on producing immediate benefits for those leaving defense establishments. He said that DoD has given people a reason to belong and believe. He advocated voluntary national service organizations, using resources and personnel who are leaving Defense. He also asked that he be allowed to have the personnel who are going to be discharged for 90 days before they go on terminal leave. This provides at least two potential benefits: it might help those who are being discharged get a foot in the door to do other things, and it would provide significant talent and assistance for the things that need to be accomplished to help people but which lack personnel and resources.

Fulton County is going to produce 3,000 jobs in a training program and keep the people in the protected jobs program for a couple of years and then squeeze them back into the mainstream. Those in the jobs will

learn some skills, values, and respect in the manner that was once necessary in the military, and when they return to society-at-large, can continue to contribute productively as members of society.

He has found barriers to implementing his plan to provide jobs in the laws in Fulton County. He said as an example, "the county Public Works Department is not permitted to go on public property." He said that 100 percent of the juveniles who commit crimes have a record of truancy, and asked why no anti-truancy program exists. Forces Command (at Ft. McPherson in Atlanta) has the experience, training programs, and people, and could assist in turning around that statistic. (Atlanta Hearing Transcript pp. 30-36)

FINDINGS FROM THE LONG BEACH HEARING, AUGUST 6, 1992

The following are recurrent themes from the aggregate testimony, in order of frequency mentioned.

- * *Federal spending to affected states and cities should increase.* Spending should increase for income support, career assistance, retraining, environmental restoration, and other domsic needs. Most of those testifying mentioned some, but not all of these areas as targets for increased spending.
- * *Technologies exist in Federal laboratories and defense contractors that would be viable for commercialization.* The Government should place increased emphasis on technology transfer to encourage increased utilization and commercialization of these "on the shelf" technologies. Those testifying usually combined this with a call for increased Federal Small Business Innovation Research (SBIR) or Small Business Development Centers (SBDC) funding.
- * *Economic difficulties, rank high as a theme of discussion -* both the problems facing state and local Governments, and those in the defense industrial sector from reduced defense spending.
- * *Environmental degradation of Federal sites and defense contractors must be cleaned up before the sites can be reused.*
- * *Defense conversion efforts should focus on small to medium-sized business,* the subcontractor tier, who are the job generators, rather than on the huge companies, which are far more assemblers than leading-edge technology companies.
- * *Regulatory restrictions prevent companies from being competitive.* DoD should adopt ISO-9000 (an international Quality Management and Quality Assurance standard that would replace MIL-Q standards), so that contractors would be more competitive for exports into global markets. DoD should also reduce the proprietary restrictions on commercialization of technology paid for with DoD R&D funds.

- * *Some testified that San Diego's representative had introduced the Hunter amendment which limits the distance from homeport that a ship can go for short-time repairs to eliminate competition from Long Beach Naval Shipyard statutorily.*
- * *The Government should identify priorities to establish technological demand.*

AUGUST 6, 1992 DEFENSE CONVERSION COMMISSION HEARING, LONG BEACH, CA

The Defense Conversion Commission held its second regional hearing on August 6, 1992, in Long Beach. DCC participants: Chairman Berteau, Commissioners Dahlman, Higgins, Lavin, and May. DCC staff members present: Hanley and McAndrew.

Witnesses:

Mayor Ernie Kell
Mayor, City of Long Beach

Summary of Presentation: Identified problems facing Long Beach due to the general malaise of the Federal and state economies, the decline of the defense industry, and especially because of closure of the Long Beach Naval Station and restructuring of the Long Beach Naval Shipyard with the potential loss of 4,100 jobs, but without the city being able to regain the land occupied by the shipyard to place it on the tax roles. (Long Beach Hearing Transcript pp. 6-7)

Mr. Ray Grabinski
Member of the City Council of Long Beach

Summary of Presentation: Reiterated history of the Long Beach Naval Shipyard and its importance to the Long Beach economy. Asserted that political maneuvering, in the form of the Hunter amendment, which restricts the distance that can be traveled for short-time repairs, had been used to remove Long Beach from its appropriate status as the leading West Coast public shipyard. This occurred after the shipyard had reduced its employment to 4,100 from 5,500 to make itself more competitive. (Long Beach Hearing Transcript pp. 7-11)

Dr. Robert Schlesinger
Professor of Information and Decision Systems, San Diego State University

Summary of Presentation: Talked about the creation of jobs in a small business arena, using technologies or ideas created in large companies that were not considered sufficiently commercializable for those companies to use. The large companies would allow an outside entrepreneurial management team (EMT) to evaluate potential spin-off

technologies, markets, and employment prospects, and arrange financing for preparation of a business plan. The large company would provide physical and intellectual properties to the endeavor, and both would have equity positions in the new entity.

With the basic plan, people, and assets, the EMT would seek to arrange venture capital. At the end of 120 days, the defense contractor could terminate the workers of the spin-off businesses with no further compensation, if there had been no progress. The new company could continue to seek to raise new capital for an agreed-upon period, perhaps a year. The assets would revert to the large company at the end of that period if there had been no success. (Long Beach Hearing Transcript pp. 11-16)

Dr. Nancy Mary

Assistant Professor and Admissions Coordinator, California State University, San Bernadino; Dept. of Social Work, Long Beach Economic Conversion Task Force

Summary of Presentation: Described the community-based task force that was established to assess and deal with the effects of the base and hospital closures in the community, and the major drawdown in the local aerospace industry. The group feels that locally available resources are too limited and encouraged short-term and longer-term fixes. In the short-term, the group recommends that mandatory alternative-use committees be established in military-related facilities. They would also like the Federal Government to provide money for income support, career assistance, retraining programs for defense conversion, and environmental cleanup.

Longer-term, a reduction in defense expenditures commensurate with the threat reduction should occur. The real enemy, neglect of our internal needs, should be opposed. (Long Beach Hearing Transcript pp. 16-18)

Mr. Michael Picker

West Coast Director, National Toxics Campaign Fund

Summary of Presentation: Categorized the nature and level of environmental contamination at some of the military facilities and contractors in California, and the challenge of trying to make them productive given any buyer's assumption of the liability for cleanup, unless they have been remediated. This delay places a burden on the

local economies. Parcelization is one answer in opening up facilities. Perhaps Federal assumption of all liability is another.

At least some DoD facilities in California comply with a state law concerning toxic releases, which should mean that they should be within compliance on the Federal toxic release inventory. (Long Beach Hearing Transcript pp. 18-22)

Mr. Eugene Leonard

Chairman, Patriotic Alternative to Commercial Takeover of American Aircraft Production and Maintenance

Summary of Presentation: Recognized the contribution of Americans to defending the U.S. over the past 40 years, as well as the U.S. contribution to much of the world. The defense workers now facing downsizing of the defense industry must be provided aid. Savings from defense reductions should be made available for R&D which could be used by all companies specifically for domestic production. (Long Beach Hearing Transcript pp. 22-24)

Dr. Michael Closson

Executive Director, Center for Economic Conversion

Summary of Presentation: Organization was started in 1975 and serves as a national clearinghouse and resource center on positive alternatives to military dependency. Provides conversion planning assistance to public officials and concerned citizens across the country. The military cutbacks presage substantial job loss and economic dislocation across the country, but also provide an opportunity to shift technology and resources to other areas of national need. More Federal assistance is needed, including funding, but should be distributed by states and affected localities. Economic activity should be revitalized by developing technology in such areas as mass transit, renewable energy, environmental restoration, infrastructure repair and urban renewal. Advanced planning that precedes shutdowns or layoffs needs to be utilized more frequently. Assistance should be provided to the small and medium-sized businesses. Small demonstration projects should be used. Timely toxic cleanup needs to be adequately funded. All parties who are stakeholders need to be involved in conversion planning. (Long Beach Hearing Transcript pp. 24-30)

Dr. Harry Sello
Defense Conversion Strategies

Summary of Presentation: Any conversion plan for a business must begin with a plan for diversification and for changing the business, including: retraining of workers, introduction of new production methods, acquisition of new technologies, establishment of a high performance workplace system, development of new products and their applications. Those firms wishing to diversify have to think in terms of global market penetration. They have typically never done manufacturing, but rather focused on large-scale R&D and craft production. To be globally competitive, they have to work within global standards, such as ISO-9000. Unnecessary DoD standards and restrictions create obstacles in a level playing field.

DoD and states should assist companies in identifying diversification opportunities. Technology in Federal laboratories should be made more accessible to industry. The laboratories should be assisted in the marketing and contracting of their technology. DoD should examine and relieve the proprietary restrictions to the commercialization of sponsored R&D work. (Long Beach Hearing Transcript pp. 30-35)

Mr. Tom Flavin
Council member, City of Burbank and President, Business Government Partnership

Summary of Presentation: Sought to provide an understanding of how defense downsizing and potential defense conversion affects the local level. Restated the findings of the LA County Aerospace Task Force, which said that by 1995 as many as 420,000 jobs could be lost, with personal income losses of \$85 billion by 2001. This would result in a \$24 billion reduction in retail sales and a decline in county tax revenues of \$2.27 billion.

A mechanism for Federal, state, and local Governments to be involved and provide financial assistance to lessen the dislocations is required, as is a national commitment to technology transfer. Cleanup of contaminated sites must be done. A closer linkage between new technology and existing job training programs needs to be created to ensure that people receive appropriate job training. Job creation efforts should be focused primarily on small and medium-sized businesses. (Long Beach Hearing Transcript pp. 35-39)

Mr. William Averill

Company Owner, representing the American Electronics Association (AEA)

Summary of Presentation: The defense electronics sector traditionally received a higher valuation than defense aerospace companies. This has changed, and aerospace companies are now more highly valued than electronics companies. The AEA calls for minimum purchase commitments, abandoning the dual-source strategy, reducing the risks and the regulatory burden to industry, increasing the use of multi-year contracting, changing the rules concerning recoupment for the use of technology in foreign military sales, and loosening the restrictions on exports of technology. DoD should also abandon its insistence on exclusive ownership of technical data developed with Government funding. Technology improvement programs are very useful. (Long Beach Hearing Transcript pp. 39-44)

Ms. Sharon Hudnell

President, Response Management

Summary of Presentation: The rate of technology transfer to the commercial sector must be accelerated. A long-term commitment must be made for the transfer to work. Improved communication and outreach by Federal laboratories is necessary, increased availability of capital (such as a form of Small Business Innovation Research (SBIR)) is required, and adoption of ISO-9000 is very important for competitiveness. Rewarding superior results that are provided at a lower cost with increased performance is the best way to ensure the most satisfactory contractors survive. (Long Beach Hearing Transcript pp. 44-50)

Ms. Marcia Boruta

Executive Director, San Diego Economic Conversion Council

Summary of Presentation: Federal financial assistance should be given to communities for investment in urgently needed jobs. The defense budget cuts should be spent for domestic needs. Worker involvement is important. Foreign arms sales should be avoided, because they don't provide long-term security or benefits. (Long Beach Hearing Transcript pp. 50-54)

Mr. Bob Filner

Council member, City of San Diego; Candidate for U.S. House of Representatives

Summary of Presentation: San Diego has initiated an economic conversion advisory committee whose membership is composed of a cross-section of interested groups from the city. He raised the difficulty of conversion when a company lacks sufficient R&D funds to set off in an entirely different direction. Also, described the Dollar-for-Dollar resolution, which says that the Federal Government ought to give a community the money its saves from money formerly spent on the military in that community as it draws down, for use in the conversion process by the city. San Diego is looking for incentives provided by the Federal Government for help in such projects as a sewage treatment plant, in which defense firms would bid, and receive a price break financed by the Federal Government. (Long Beach Hearing Transcript pp. 54-59)

Mr. Michael Murchison

Assistant to Long Beach Supervisor Deane Dana

Summary of Presentation: Read a letter from Supervisor Deane Dana which described the results of the LA County Aerospace Task Force in greater detail than above, as well as identified actions the Board of Supervisors has taken. These actions include opening a technology incubator, seeking to increase job training funds, establishing a LA Technology Resource Center, trying to establish a state venture capital fund, a county business loan pool, acquire additional Federal funding for state and local programs including planning activities, technology transfer, training, replacing lost revenue, etc.

Murchison identified the Hunter amendment, which precludes short-time repairs from being completed in a shipyard more than 75 miles from the homeport of a Naval vessel. This was apparently enacted to preclude San Diego-ported ships from being repaired in Long Beach, which is slightly farther from San Diego. (Long Beach Hearing Transcript pp. 59-64)

Ms. Martha Lopez

Deputy Director, California Employment Development Department

Mr. Brian McMahon

Deputy Director, California Department of Commerce

Summary of Presentation:

Lopez--Any additional funding for defense conversion should build on existing programs. Proposed that states receive grants based on the proportion of job losses they are experiencing due to military base closure as well as defense industry downsizing rather than discretionary grants. Would like to see increased demonstration project grants, wider latitude in the expenditure of those funds to allow retraining and "before layoff" training. Opposed to restrictions on rapid response activities, and to provisions that would limit eligibility for retraining based on a minimum length of service.

McMahon--California has just been designated to have a National Institute of Standards and Technology (NIST) regional manufacturing technology center. Federal support of technology extension and transfer programs should be made available. The Federal Government should allocate funds to states and localities who have lost them. Military facilities should be available on an expedited basis for reuse by communities. (Long Beach Hearing Transcript pp. 64-71)

Mr. Valente Alarcon

Private Citizen; Owner, Eternal Euterpe Entertainment

Summary of Presentation: Self-described meliorist, or person who believes that things can get better and that society gets better by human effort. Encouraged wider dissemination of Federal technology. Stated that human resources that were freed up might be the greatest peace dividend available to the U.S. (Long Beach Hearing Transcript pp. 71-74)

Mr. Arthur Leahy

Assistant General Manager for Operations, Southern California Rapid Transit District

Summary of Presentation: Described the status of a 47-month project to design and produce the Advanced Technology Transit Bus (ATTB). Three phase program: 1)Development of a conceptual design and preliminary engineering for ATTB, 2)Validated design and manufacturing plan including actual prototype work on some components, 3)Detailed design and manufacturing plan including construction of up to six prototypes while completing preproduction manufacturing designs and tooling. Proprietary technology will remain the property of the contractor. There will be a detailed technology transfer plan developed and updated throughout the program to ensure

the transfer of technology to the transit industry (school buses, rail cars). Funding is expected to be \$27.7 million over the period, with most of that requested from the Federal Government. Between 1,500 and 2,000 buses are produced annually, with about 50,000 buses in service industry-wide. (Long Beach Hearing Transcript pp. 74-78)

Mr. Robert J. Bremmer

Associate Director of Business Analysis, Lockheed Corporation

Summary of Presentation: Lockheed expects to increase its commercial sector from the current 30 percent to 40 percent over the long-term, but will do this by expanding commercial activities, not by reducing military activities. Has been involved in conversion and commercial business for a long time. Explained the difference between commercial and defense production. Joint partnerships between Government and private industry can be helpful. Lockheed is involved in CALSTART, which is a consortium to create an advanced transportation industry in California. The Federal Government should establish a demand by defining what they are going to spend money on.

During questioning, Bremmer acknowledged that there are probably lots of potentially profitable technologies lying around that could be spin offs, and talked about several sidelines that Lockheed had itself developed and commercialized, which it later sold. (Long Beach Hearing Transcript pp. 78-82)

Mr. Don Nakamoto

International Association of Machinists

Summary of Presentation: Recapped decrease in Lockheed employment in Southern California due to expiration of contracts, defense cuts, and the transfer of defense programs to other locations. The union decided to focus on job creation by participating in CALSTART to employ defense workers. One of the shortcomings of the effort is the dearth of programs to subsidize salaries and benefits as the coalition is developing. Determining the effectiveness and the payoff of such an endeavor was identified by the Commissioners as a potential challenge. (Long Beach Hearing Transcript pp. 82-87)

Mr. Merle Albright
Systems Management Services International

Summary of Presentation: Introduced his concept of a "Piece Dividend," or funding source for diversification consisting of 1 1/2 to 3 percent of prime and subcontractor contracts for diversification into commercial products, technology, techniques, and processes. Albright was director of the LA County Economic Development Program during the mid-1970s when the County created a program of diversification for subcontractors, reported in a document called, "Expediting Diversification of Department of Defense Contractors." M.L. Warrick, a later witness and one of the key designers of the program, also talked about it. Albright described his recent efforts to interest the White House and Assistant Secretary of Defense for Force Management and Policy (ASD(FM&P)) in a similar program. He also called for a permanent R&D tax credit and emphasized the importance technology transfer mechanisms. He asked Commissioner May for his assistance in providing access to people at Norton AFB who are going to be leaving the service, and Commissioner Dahlman expressed his interest in talking with members of the LA Aerospace Task Force. (Long Beach Hearing Transcript pp. 87-91)

Dr. Blase Bonpane
LA Director, Office of the Americas

Summary of Presentation: Identified the importance of changing from a culture of militarism to culture of peace. Talked about the importance of providing public sector jobs, similar to the CCC or the WPA, because the jobs could not come out of the private sector. Jobs in environmental restoration are just one area of opportunity. Described the change from a progressive tax system historically to one that is no longer as progressive. Raised the importance of the United Nations as an entity to resolve problems like Yugoslavia and other conflicts. (Long Beach Hearing Transcript pp. 91-96)

Mr. M. L. "Bud" Warrick
Warrick and Associates; Co-creator of 1976 LA County Diversification Program

Summary of Presentation: Provided additional details on the LA County Economic Development Program created during the mid-1970s to diversify subcontractors, reported in a document called, "Expediting Diversification of Department of Defense Contractors." This program,

using Economic Development Administration (EDA) money, worked with defense subcontractors in identifying conversion opportunities for small subcontractors, i.e. in the range of 100 to 200 employees. The program was between 30 and 70 percent effective in identifying opportunities. Program officials brought together numerous resources, including universities, libraries, business development centers, and then worked with the contractors to prepare business plans after assessing the diversification potential. (Long Beach Hearing Transcript pp. 96-99)

Mr. Robert Stark

Director, Far West Regional Technology Transfer Center of National Aeronautics and Space Administration (NASA)

Summary of Presentation: NASA program's emphasis has shifted from technology assistance through NASA to dissemination of technology from Federal laboratories. This is an effort to make the resources available regionally. Also mentioned Trade Adjustment Assistance Centers (TAACs), which are run by the Department of Commerce to assess whether companies have been harmed by imports. Postulated the TAACs as a model for assessing how companies have been hurt by defense cutbacks. Identified the value of Small Business Innovation Research (SBIR) as a program and urged increased funding. Reiterated the importance of subcontractors as the companies on which to focus diversification efforts. Commissioners expressed interest in receiving information about successful technology transfer examples that have occurred through the Far West Regional Technology Transfer Center. (Long Beach Hearing Transcript pp. 99-105)

FINDINGS FROM THE ST. LOUIS HEARING, AUGUST 20, 1992

The following are recurrent themes from the aggregate testimony, in order of frequency mentioned.

- * *Federal spending to affected states and cities should increase.*
Spending should increase for income support, career assistance, retraining, environmental restoration, and other domestic needs. Most of those testifying mentioned some, but not all of these areas as targets for increased spending.
- * *Job creation and training programs need to increase.*
- * *Technologies exist in Federal laboratories and defense contractors that would be viable for commercialization.*
- * *The Federal Government should encourage diversification.*
- * *The educational system needs to be improved.*
- * *Improve the acquisition process and use commercial standards.*
- * *Improve the availability of small business capital and IR&D funds.*
- * *Revitalize the general aviation industry.*
- * *Conversion efforts should be under local control.*

AUGUST 20, 1992 DEFENSE CONVERSION COMMISSION HEARING, ST. LOUIS, MO

The Defense Conversion Commission held its third regional hearing on August 20, 1992, in St. Louis. DCC participants: Chairman Berteau, Commissioners Dahlman, Dube, Knetter, Lavin, and May. DCC staff members present: Hartwig, Hanley, and Porth.

Witnesses:

Mr. Denny Coleman

Chairman, St. Louis Economic Adjustment and Diversification Committee

Summary of Presentation: Summation and appreciation for Commission presence and hearing, and for past and future DoD assistance. (St. Louis Hearing Transcript pp. 6-7)

Mr. Jennings Woolridge

Regional Director, Communications Workers of America

Summary of Presentation: Domestic needs remain unmet, defense spending should be reduced, infrastructure and new technology investments should be encouraged. Comprehensive national health care plan should be implemented, and defense spending should be cut in half without the Federal budget decreasing. (St. Louis Hearing Transcript pp. 7-10)

Mr. James Caldwell

McDonnell Douglas Corporation

Summary of Presentation: Profiled McDonnell Douglas, identified commercial/Government business mix. McDonnell Douglas has shifted to about 65% defense, but conversion is a slow, difficult process. Suggested improvements in the acquisition process to increase profitability, rethinking the dual-source decisions, full recovery of Independent Research and Development (IR&D) charges, privatization of depot work, increased support by government for export sales, tax incentives, financing assistance, and continued future investment programs. Also encouraged improvements in the educational system. (St. Louis Hearing Transcript pp. 10-15)

Mr. Glenn Lawrence
Office of the Governor of Indiana

Summary of Presentation: Identified Indiana's concerns at being "disproportionally hit" by base closures and the loss of 13,000 associated jobs by 1997. Indiana also has about \$2 billion of prime contracts as well, so is affected by the declining defense budgets. Suggested an allocation of funds based on a formula of base closings and defense sector losses. (St. Louis Hearing Transcript pp. 15-19)

Mr. Thomas Stark
President, Visionaire Corporation

Summary of Presentation: President of small company with a business jet concept. Concerned about the challenge of finding sufficient capital to launch prototype development. Advocated a capital gains tax cut to free up funds for investment. Suggested that 25% of IR&D funding be redirected to provide seed capital for startups. Government ought to provide or facilitate bridge seed capital needed before banks will make long-term loans. (St. Louis Hearing Transcript pp. 19-22)

Mr. Cassel Williams
President, District 837, IAMAW

Summary of Presentation: Defense workers have made contributions to the nation's security, but with the down-sizing, much of the defense industrial base is going away. Retraining programs exist, but there have to be jobs for which to be retrained. The shrinking economic base is due to jobs and technology going overseas, and this should be reversed. New directions must be established, and the adversarial relationship between labor and management must change. (St. Louis Hearing Transcript pp. 22-25)

Ms. Rose Kemp
Regional Administrator, Women's Bureau, Department of Labor

Summary of Presentation: Described three categories of women being served: veterans, women who work in defense industry or installations, and spouses of military. Urged that programs be targeted for women. Improvements in publicizing the availability of services and programs available to women veterans. Women face occupational segregation, and, outside the military, are less likely to earn income

based on rank and time of service. Also identified the importance of having a structure for support, e.g. that provided by life on a military base. Proposed establishing a one-stop resource center that would provide access to information relating to career exploration, assessment, testing, job placement and self-management training. (St. Louis Hearing Transcript pp. 25-28, 30-32)

Ms. Ruth Margolin

Director, Women's Center, University of Missouri at Kansas City

Summary of Presentation: Shortcomings in the development and retraining of the labor force may prevent America from being "productive and competitive." The existing skills of military and defense workers should be tapped to improve society while assisting workers in gaining new or additional skills to remain economically self-sufficient. Recommended a GI Bill for community service, or "earn and learn" concept. (St. Louis Hearing Transcript pp. 25-32)

Mr. Elmer Dapron

Cornucopia Communications

Summary of Presentation: Proposed revitalizing the general aviation industry. Indicated that 15,000 general aviation aircraft per year had been built as recently as 1980, but that current levels were about 1,500, and described the cause as fear of product liability lawsuits. Also raised concern that the Joint Primary Aircraft Trainer System (JPATS) aircraft purchase would be foreign, or a foreign design teamed with a U.S. firm. (St. Louis Hearing Transcript pp. 32-36)

Mr. Gerald Ide

Union Steward. McDonnell Douglas

Summary of Presentation: Described difficulties of working with McDonnell Douglas employees who don't know whether they will have jobs in the near and longer term. Gave three examples. (St. Louis Hearing Transcript pp. 36-39)

Sister Susan Jordan

Midwest Coalition for Responsible Investment

Summary of Presentation: Coordinator of investor program that has, since 1977, worked to encourage planning for alternative production, including serious job retraining, plant retooling, and identification and

marketing of new product lines. Companies have been resistant, and are now promoting exports of military hardware. Advocated Government encouragement to diversify. (St. Louis Hearing Transcript pp. 39-42)

Dr. Fredric Raines

Professor of Economics, Washington University

Summary of Presentation: Presentation on the economic effects of defense spending. Estimated a production function that evaluated various types of R&D. Basic research, both defense and civilian, contributes significantly to productivity growth. However, defense applied R&D appears to have no significant impact on productivity growth in the private sector. To facilitate the adjustments needed to move from defense to commercial production, a set of locally developed and operated conversion programs that are responsive and flexible to needs as they arise must be developed. Control must be local, but assistance, financial and otherwise, is needed from the Federal Government. (St. Louis Hearing Transcript pp. 42-47)

Mr. James Gilbert

Maximum Rehabilitation Consultants

Summary of Presentation: Described his background in manufacturing, now working to rehabilitate North St. Louis through trying to create jobs for unskilled, poor people. Identified the dichotomy of trying to convert production, either: 1) you have a new contract and are too busy fulfilling the contract, or 2) the contract has ended and you lack the resources to convert and market new and different production. Government participation is needed to push conversion. Rigid Government specifications (specs), standards and additional layers of overhead and costs also make the process more difficult. (St. Louis Hearing Transcript 47-51)

Ms. Marjorie Reinhart

Economic Conversion Project

Summary of Presentation: Government must continue to invest in society the money that it is cutting from defense. Advocated legislation to encourage firms to use democratic methods of management, as seen on PBS. Suggested The Great Game of Business, by Jack Stack, as a worthwhile book to read. (St. Louis Hearing Transcript pp. 51-52)

Ms. Margaret Gilleo
St. Louis Economic Conversion Project

Summary of Presentation:

Identified the history of past conversions, importance of Federal involvement after WW II, contrasted the lack of involvement after Korea. Discussed the challenges of producing goods for the commercial sector, and the difficulties faced by the subcontractor tier. Mentioned flexible manufacturing networks as a conversion assistance strategy. (St. Louis Hearing Transcript pp. 53-56)

Ms. Joan Botwinick
Adequate Housing for Missourians

Summary of Presentation: Described the imbalance between low-income renters and available units. Encouraged increasing low-income housing assistance. (St. Louis Hearing Transcript pp. 56-60)

Mr. Bud Deraps
Private Citizen

Summary of Presentation: Felt that defense spending could be reduced substantially from current levels without decreasing our militarily-dominant stature. Costs of the buildup over the past 40 years have been substantial. Greatest concerns now are economic in nature, as jobs have emigrated. Two problems - Government continues to sit on thousands of patents, and it may not continue to fund Sematech. Also, conversion advisors are being sent to Russia. They would be equally useful here in the U.S. (St. Louis Hearing Transcript pp. 60-62)

Mr. Phillip Sgroi
Private citizen, Activist

Summary of Presentation: Described background leading to involvement in peace activism and interest in economic conversion. Urged changing the direction and framing of the issues. Suggested increasing participation to increase the ownership of the problems facing the U.S., including conversion. Concluded quoting Keynes. (St. Louis Hearing Transcript pp. 62-66)

Mr. Kent Machovec
McDonnell Douglas

Summary of Presentation: Worked for various defense primes, now working for McDonnell Douglas. Broad presentation, importance of R&D, unique creation that is the defense industry, must not destroy it and throw a lot of people out of work. The Government should get organized and set goals to reallocate some money. (St. Louis Hearing Transcript pp. 66-72)

Ms. Janet Becker
Campaign for New Priorities

Summary of Presentation: Introduced a proposal for cities to endorse the idea of investing savings from lower defense spending into local programs in an effort to revitalize the economy, infrastructure, and education. Discussed the importance of including the Department of Education budgets in the reduction process. Presented opinions on budgeting. (St. Louis Hearing Transcript pp. 72-75)

Ms. Betty Davis
Private Citizen

Summary of Presentation: Identified some things to do after losing a job which make finding a new job easier. (St. Louis Hearing Transcript pp. 75-76)

FINDINGS FROM THE DALLAS/FORT WORTH HEARING, AUGUST 27, 1992

The following are recurrent themes from the aggregate testimony, in order of frequency mentioned.

- * *Job creation and training needs to increase.*
- * *Federal spending to affected states and cities should increase.*
- * *The Federal Government should coordinate conversion (with local control) and encourage diversification.*
- * *Expand foreign military sales.*
- * *Consider the impact of base closures when determining level of conversion assistance.*
- * *Continue funding and development of the V-22.*
- * *Improve the availability of small business capital and IR&D funds.*

AUGUST 27, 1992 DEFENSE CONVERSION COMMISSION HEARING, DALLAS/FORT WORTH, TX

The Defense Conversion Commission held its fourth regional hearing on August 27, 1992, in Fort Worth. DCC participants: Commissioners May, Dahlman, Higgins, and Knetter. DCC staff members present: Hanley, Berger, and McAndrew.

Witnesses:

Mayor Kay Granger
Mayor, City of Fort Worth

Summary of Presentation: Described Fort Worth's long history in the defense role, and the impact of defense cutbacks, layoffs and the base closure (Carswell AFB) Fort Worth is undergoing. Emphasis on worker retraining, investing adequate resources to help employees in transition, job creation. Three ways that Government could help more are: funding and operating the re-use entity during the first few years, funding the marketing of the base re-use plan, funding demonstration grants and seed money for job creation. (Dallas/Ft. Worth Hearing Transcript pp. 6-9)

Ms. Jan Sanders
Texas Campaign for Global Security

Summary of Presentation: Identified the importance of working with local and state entities who are aware of the local problems, but felt that there should be a Federal role, one of assistance. Most importantly, the Defense Department should not be involved in conversion planning because of the conflict of interest. Technology transfer of Cold War R&D and efficient utilization of resources created at great cost and expense should be encouraged, but should not be given away. (Dallas/Ft. Worth Hearing Transcript pp. 10-12)

Mr. Charles Haddock
Texas Employment Commission

Summary of Presentation: Discussed job training indicating that it is only part of the solution. Job training must be linked to an actual job or one that will exist, it must be accompanied by supportive services to the extent that the such support is needed, and it must offer wage

supplements during the training period. Urged continued defense spending at current levels to phase out the cuts over a longer period of time. Advocated some form of the Trade Readjustment Act for retraining defense and other unemployed workers. Job creation is the crux of the issue. (Dallas/Ft. Worth Hearing Transcript pp. 13-18)

Rep. Martin Frost
House of Representatives

Summary of Presentation: Discussed his Defense Conversion Amendment, and described the troops to teachers program. Mentioned that the goal with the Frost Amendment was to set out a framework to which considerable resources could be added in the next few years. Described the V-22 Osprey tiltrotor aircraft program as having considerable commercial application. Also discussed the importance of foreign arms sales to the employment base in defense manufacturing. (Dallas/Ft. Worth Hearing Transcript pp. 18-24)

Mr. Richard Layne
Aero CNC, Inc.

Summary of Presentation: Described the problems faced by small defense subcontractors with the defense cutbacks. Indicated that closer communication between Federal, state and local Governments and small businesses needs to occur. There should be more assistance for small businesses, which are currently being hindered by tight capital, and being pinched by primes cutting back. Retraining programs for skilled labor don't exist, and should. (Dallas/Ft. Worth Hearing Transcript pp. 25-26)

Dr. John Mills
Director, Automation and Robotics Research Institute, Univ. of Texas, Arlington

Summary of Presentation: The Research Institute is focused on manufacturing, and was created through a partnership between university, industry and the state. Suggested that funding be found to return engineers to universities to improve skills, also internships for workers from defense primes. Also looking at ways to create high tech business startups from existing primes, initially with a consulting contract that declines in value over time. Also interested in assisting small manufacturers with diversification and quality improvement. Measures of success are already sent to the state legislature, so the DCC

could see some of those. (Dallas/Ft. Worth Hearing Transcript pp. 26-32)

Ms. Susan Regester
District Representative, Rep. Joe Barton

Summary of Presentation: Identified programs that he feels are important to continue, including the F-16 and the V-22. Also indicated that Defense Conversion programs should be implemented. (Dallas/Ft. Worth Hearing Transcript pp. 32-35)

Mr. Raymond Rodriguez, Ms. Francine Pratt
Allied Communities of Tarrant

Summary of Presentation: Presented Allied Communities of Tarrant's individual training account program, essentially a GI Bill for the Cold War. Described target population and common problems, existing job training programs and inherent obstacles, and characteristics of a successfully integrated job training program, as well as funding and management elements. Employer/employee contracts commit a job at the end of the training period and allow for employer-contributed funds or part-time jobs while in training. The standard for training is designed by employers and educators. Assessment is done by a counselor who works with the participant and the employer throughout the process. The training, while specific, also includes more general, transferrable skills as well. Federal funding must be available for this effort. (Dallas/Ft. Worth Hearing Transcript pp. 35-39)

Mr. John Daeley
Office of State Senator Chris Harris

Summary of Presentation: Read a letter from State Senator Chris Harris indicating concern about the results of the defense drawdown in light of the current economic picture. Also suggested that Carswell AFB be considered as a replacement for Homestead AFB. (Dallas/Ft. Worth Hearing Transcript pp. 39-43)

Ms. Winsome Jean
Office of the Governor

Summary of Presentation: Texas is conducting a survey of major and subcontractor defense firms in the state. Texas is also focusing on job creation by combining human and other resources, with Government,

academia, industry, and labor. (Dallas/Ft. Worth Hearing Transcript pp. 43-45)

Ms. Jean Eason

Fort Worth section of the Institute of Electrical and Electronics Engineers

Summary of Presentation: Presented results of local membership survey of employment. Also identified "barriers" to the transition of engineering skills, as defined by surveyed members, including attitudes about the employability and convertibility of defense engineers. (Dallas/Ft. Worth Hearing Transcript pp. 45-49)

Mr. Gary Cumbie

Fort Worth Chamber of Commerce

Summary of Presentation: Described the nature of the impact that Fort Worth has felt from defense cutbacks, and indicated that funding should be preferentially targeted toward those cities and regions most heavily affected by the defense cutbacks. Also felt that foreign sales should be encouraged as a way of increasing defense employment. Job creation opportunities should also be given preferentially to heavily affected cities. Finally, capital availability for small business, in the form of loan guarantees, should be increased. The nature of the defense industry is different than other industries in that only one, the national security customer, exists. (Dallas/Ft. Worth Hearing Transcript pp. 49-52)

Mr. Diane Van Marter

Fort Worth Job Service Employer Committee

Summary of Presentation: Described the problems and level of unemployment that Tarrant County faces, largely as a result of defense downturns. Encouraged increased Federal assistance to deal with the problems. (Dallas/Ft. Worth Hearing Transcript pp. 52-54)

Ms. Barbara Deeter

Tarrant County League of Women Voters

Summary of Presentation: Presented the perspectives of the Metroplex Leagues of Women Voters on defense and economic conversion. Coordinated long-term planning at the local level must take

place. Reallocation of Government resources is necessary. (Dallas/Ft. Worth Hearing Transcript pp. 54-58)

Mr. Roger Kallenberg

Planner, Dallas Community Relations Commission

Summary of Presentation: Statement about the defense industry and the unsatisfactory allocation of resources (and necessary reallocation) by the political leadership and DoD. (Dallas/Ft. Worth Hearing Transcript pp. 58-60)

Mr. Sam Krhovjak

Tarrant County Junior College (TCJC)

Summary of Presentation: Described the proactive nature of programs for training/retraining that TCJC has implemented to support new manufacturers and displaced workers. Identified as an important group to consider, those who are indirectly affected by base closures and defense industry cutbacks. (Dallas/Ft. Worth Hearing Transcript pp. 60-63)

Mr. Tom Barlag

Barlag Tool Company

Summary of Presentation: Small, defense-dependent (92%) subcontractor. Identified the very large effect of defense cutbacks (dropped employment from 19 tool grinders to 3 in one year) that subcontractors are subject to. Urged continuation of F-16 and V-22 programs. Described the difficulty that small businesses have in trying to assist laid-off employees. Also urged that direct, liberal financial assistance from the SBA and banks be made available. Can make changes and adjustments, just not as fast as currently required. (Dallas/Ft. Worth Hearing Transcript pp. 63-65)

Mr. Lionel Collins

Office of Representative Pete Geren

Summary of Presentation: Recognized the important contribution made by Fort Worth, and the significant impact of the defense drawdown on the community. Rep. Geren was urging F-16 sales to Taiwan, and V-22 production, and tried to prevent the closure of Carswell. (Dallas/Ft. Worth Hearing Transcript pp. 65-66)

Ms. Elaine Lantz

Jobs With Justice, also UAW (United Auto Worker) member

Summary of Presentation: Stressed that jobs are what is needed. Felt the skilled workers (in tooling, manufacturing, assembly) ought to keep on working, perhaps making trains. (Dallas/Ft. Worth Hearing Transcript pp. 66-68)

Mr. Pat Lane

President, District Lodge 776 of Machinists Union

Summary of Presentation: Warned against converting too much of the defense industry for reasons of national security. Criticized the sale of technologies to other nations (Japan, Korea) and the corresponding loss of jobs (especially to Mexico). Argued that the laid off workers are skilled workers and don't need training, they need jobs. (Dallas/Ft. Worth Hearing Transcript pp. 68-71)

Mr. Steven Palko

Small Businessman, Fort Worth School Board Member

Summary of Presentation: Testified on local initiative called Fort Worth Project Seat of the Third Power, which is an effort to prepare students for the jobs and economic circumstances of the future. (Similar to SCANS - (Secretary's Commission on Achieving Necessary Skills)). People must be problem-solvers and lifelong learners to have high wages and high productivity. Argued for Federal assistance to make this a model for the country; it should promote adaptability to changing environments. (Dallas/Ft. Worth Hearing Transcript pp. 71-75)

Mr. Allen Short

Stock Yards Station

Summary of Presentation: Described private/public effort to establish Stock Yards Station in Fort Worth. Asked Commission's help in pursuing status of \$7.5 million EDA grant authorized in May of 1990. "Tourism means jobs." (Dallas/Ft. Worth Hearing Transcript pp. 75-77)

Mr. James Toal

Director, Carswell Air Force Base Re-use Office

Summary of Presentation: Outlined several areas of difficulty relating to base closure, particularly due to short lead time. Outlined a few

areas where Federal Government could help (enterprise zone designation, foreign trade zone; FAA, OEA & DoD funds; DoD must retain responsibility and liability for hazardous waste; Champus Reform Initiative). (Dallas/Ft. Worth Hearing Transcript pp. 77-79)

Mr. Rick Shelton

Senior Vice President, Linton Hardware and Electronic Supply

Summary of Presentation: Described having to lay off 10 employees in his small company due to lack of contracts. Emphasized the need for more jobs. (Dallas/Ft. Worth Hearing Transcript pp. 79-80)

Mr. John Hernandez

Fort Worth Hispanic Chamber of Commerce

Summary of Presentation: Identified an existing resource that could be capitalized on--Carswell's strategic situation for international trade. Urged Commission to help promote such existing assets. (Dallas/Ft. Worth Hearing Transcript pp. 80-81)

Mr. Michael Stevens

President, Falcon Office and Engineering Supply Company

Summary of Presentation: Argued that the Federal Government has sacrificed small business--has reneged on contract with General Dynamics, seems to care about other country's affairs more than our own. Offered his opinion that "your agency" (DoD) should be required to buy locally. Asked where retrained workers can go--felt no one will be there to hire them. (Dallas/Ft. Worth Hearing Transcript pp. 81-83)

Mr. Fred Wright

Transpec Fasteners

Summary of Presentation: Testified that his is a small company, and has been significantly defense dependent. Now looking for a new market, but unsure where to get information or help on conversion. Asked Commission to gather information in one place--then duplicate it across the country. Requested help, whether in the form of contracts with other Government agencies, or loans or loan guarantees, or tax relief. (Dallas/Ft. Worth Hearing Transcript pp. 84-86)

Mr. Grady Shytles
Arkatex Construction

Summary of Presentation: Urged that independent craftsmen not be overlooked when contracts are offered. (Dallas/Ft. Worth Hearing Transcript pp. 86-87)

Mr. Mitchell Speairs
President, Cordova Corporation

Summary of Presentation: Questioned why there couldn't be coordination regarding tiltrotors between DoD and civilian application. Identified Japanese company Ishida that has established a tiltwing plant at Alliance Airport. (Dallas/Ft. Worth Hearing Transcript pp. 87-89)

Father Carmen Mele
Coordinator, Parish Justice Ministries, Diocese of Fort Worth

Summary of Presentation: Reviewed Roman Catholic Church's commitment to valuing work and jobs and opposition to massive arms production. Advised that economic conversion should help communities and industries too long dependent on Government and military related contracts to become self-sufficient and economically competitive through limited Government involvement. (Dallas/Ft. Worth Hearing Transcript pp. 89-90)

FINDINGS FROM THE GROTON HEARING, SEPTEMBER 17, 1992

The following are recurrent themes from the aggregate testimony, in order of frequency mentioned.

- * *A direct result from the defense cutbacks is an increase in human suffering due to unemployment and overworked social service programs.*
- * *Federal spending in affected states and regions should increase.* Witnesses felt spending should increase for income support, career assistance, retraining and environmental restoration.
- * *Defense workers should have access to training before they are laid off.* The more advance notice the employee has of a lay-off, the better.
- * *Technologies exist in Federal laboratories and defense contractors that would be viable for commercialization.* The Government should place increased emphasis on technology transfer to encourage increased utilization and commercialization of these "on the shelf" technologies.
- * *Retiring veterans and displaced military should be given special consideration and assistance when entering the commercial job market.*
- * *States and local municipalities need to network together and form a strategy of recovery and development in order to set priorities, determine needs and fully utilize resources.*
- * *A Federally financed, locally administered, national industrial policy is needed to establish priorities, coordinate national resources and funding.*
- * *The NAFTA policy is seen as hostile to small and medium-sized manufacturers.*
- * *The Government should provide incentives for defense companies to diversify.* Further, large contractors, with the exception of some technologies, should be required to have

alternative uses for their product and know where alternative markets can be found.

- * *Infrastructure should be developed* in the areas of health care, transportation, education and environmental conservation to absorb displaced workers and strengthen our domestic situation.
- * *Foreign sales of technology and defense goods* were cited as both a desirable as well as an undesired option in maintaining our manufacturing and technology production base.
- * *Avoid defense and corporate intellectual loss* or "brain drain" by establishing policy think-tanks and technological research centers to aid conversion issues.
- * *Regulatory restrictions and requirements unnecessarily burden* many contracts and keep defense companies from being competitive.
- * *Expedite reuse of defense facilities* for civilian and commercial purposes by cooperating with local officials and prospective civilian customers.

17 SEPTEMBER, 1992 DEFENSE CONVERSION COMMISSION HEARING, GROTON, CT

The Defense Conversion Commission held its fifth regional hearing on September 17, 1992, in Groton. DCC participants: Chairman Berteau, Commissioners Dahlman, Dube, Higgins, Knetter, Lavin and May. DCC staff members present: Jones, Hanley, and Porth.

Witnesses:

Mr. David G. Assard
President of Textron-Lycoming

Summary of Presentation: The company employs 3,300 and supports a supplier base of 8,700 jobs. Assard discussed efforts to adapt to the Army's decreased demand for tank production. Possible ways of broadening the spectrum of capabilities include: working with selected small business suppliers, looking at new technologies and pursuing foreign sales.

Recommendations include: balance funds in Operations and Maintenance (O&M) accounts between depot-level work and contractor; change laws governing depot work competition; Government support of foreign sales. Further, Assard requests commitment from Army for standardized hours; support of commercial use of Government-owned tooling and formal Government training of unskilled workers. (Groton Hearing Transcript pp. 7-11)

Mr. Michael G. Franklin
Executive Director of Southeast Area Technology and Development Center

Summary of Presentation: As a former contractor with the Navy for family housing (801 Lease Program), Franklin briefly recounted failed contracts with both the U.S. Navy and the State of Connecticut. He is currently involved in diversification with a regional technology and development center. Expanding the DoD Procurement Technical Assistance Cooperative Agreement Program to utilize existing infrastructure was strongly encouraged. Franklin urged the rethinking of fund allocation to move from funding worker retraining to job creation and infrastructure support. (Groton Hearing Transcript pp. 11-14)

Ms. Naomi Otterness
Office of U.S. Representative Sam Gejdenson

Summary of Presentation: Discussed Southeastern Connecticut's dependence on the defense industry and the subsequent economic and social concerns. She noted SEATECH (Southeastern Area Technology Center) as an example of strong, local initiative and requested more emphasis on programs such as EDA. The community is currently looking for ways to encourage the entrepreneur and small business owner--the Corporation for Regional Economic Development was cited.

Felt base maintenance costs in Europe were excessive and thought money should go to R&D, conservation, mass transit and job training. She specifically addressed changes to be made in the job training programs. Workers should be eligible for training before lay-offs. (Groton Hearing Transcript pp. 14-19)

Mr. Robert Fromer
Private citizen

Summary of Presentation: Formerly an environmental engineer with Navy work experience in subs and undersea warfare, Fromer suggested creating an infrastructure which would support "zero rate energy consumption" manufacturing, to protect the environment. He questions the priorities of the free-market system. He suggested worker training and education. (Groton Hearing Transcript pp. 19-21)

Ms. Eleanor M. LeCaine
Massachusetts SANE/FREEZE

Summary of Presentation: Suggested converting the displaced manpower from defense lay-offs to environmental projects and industries. Quotes Department of Commerce study which reports huge growth in environmental industries. She cites the CALSTART program and Raytheon's diversification contract to environmental clean-up equipment as examples of "swords to plowshares." (Groton Hearing Transcript pp. 21-26)

Dr. Diane Disney
Office of the Governor of Rhode Island/Def. Econ. Adjust. Project

Summary of Presentation: In the capacity of director of the Research Center in Business and Economics at the University of Rhode Island,

Dr. Disney represented Governor Bruce Sundlun. She described Rhode Island's simultaneous state emergencies in finance, a recessionary economy and defense dependence in a time of shrinking resources. Smaller (less than \$1 million revenue) businesses dependent on defense dollars are hit particularly hard, with few alternative revenue generators.

With these small and mid-sized businesses in mind, a industrial technology extension service was established at the state university. The mission was to transition both businesses and workers to a civilian marketplace.

In a joint-venture with both the Defense Economic Adjustment Committee and the University of Rhode Island, combined with other sources, the Defense Economic Adjustment Project was begun. Supplementing existing funding from the Departments of Labor and Defense, Disney requested more Federal help to aid dislocated workers and businesses. (Groton Hearing Transcript pp. 26-30)

Mr. Ralph L. Klein
Consultant

Summary of Presentation: Mr. Klein, an electrical engineer and a consultant with Stoller Corporation, gave personal testimony for the case of the displaced engineer. He felt that training and job-placement efforts should be focused on the unemployed defense worker rather than diluted throughout the entire unemployed population. (Groton Hearing Transcript pp. 30-34)

Ms. Janet D. Pierce
United Way of Southeastern Connecticut

Summary of Presentation: The organization raises over \$3.6 million annually to provide for 35 different agencies in the region. Currently the United Way is struggling with increased needs and decreased resources. With increased unemployment, tensions are wearing on families and straining the social service organizations. In addition to providing an adequate amount of support, the agency must be accessible to the affected individual. (Groton Hearing Transcript pp. 34-37)

Mr. Harold Payson
State of Maine Planning Office

Summary of Presentation: Testified on behalf of Maine's Task Force on Defense Realignment and the Maine Economy. The task force is

committed to addressing community needs by focusing attention on problems and creating multi-jurisdictional planning networks. Based on business needs, the task force creates networks to examine strategic planning. Additional training will be available for the displaced workers.

Expressed concern that the number of regulations and policies are counterproductive to the distribution of relief funds. Further, he cites lack of easy access to a flexible funding mechanism, and restrictions that inhibit early intervention, as two specific barriers to conversion (both with worker training and business diversification). (Groton Hearing Transcript pp. 37-40)

Mr. Gene Gitelson and Mr. Stephen White
Veterans Leadership Program

Summary of Presentation: Both men are founders of the non-profit, regional, economic development agency, which is both publicly and privately funded. The organization was founded to deal with the human resource issues, skills deficits and lack of jobs for veterans. Through computer-banks, the program looks at commercial growth segments for employment assessment and job placements. The actual training includes intensive skills evaluation and supplemental training.

The Veterans Business Assistance Center sponsors an entrepreneurship program and the retraining of veterans. The Center has an emphasis on public/private programs. Funding is provided through the Small Business Administration. (Groton Hearing Transcript pp. 40-47)

Mr. John Caron
Caron International

Summary of Presentation: Mr. Caron represented the Connecticut chapter of Business Executives for National Security (BENS). He voiced concern over the political baggage that compromises the defense industry. He suggested a program similar to the GI Bill to transition retiring military and displaced defense workers. Low-cost capital and other incentives to small business will help nurture developing companies. More civilian-friendly procurement would aid in shift to a civilian economy, as extensive specifications for standard items are a barrier. Environmental cleanup on bases should be funded by the Federal Government, so as to expedite the process of transferring the property over to civilian usage. Mr. Caron believes the Pentagon should

disperse the aggregate, appropriated defense budget into various programs without Congressional intervention. (Groton Hearing Transcript pp. 47-49)

Mr. Joseph McGhee
Connecticut Economic Development Commission

From a survey of 2,200 defense contractors, the following main points became clear. Contractors want assistance in marketing, strategic planning and Government financial assistance. Connecticut's high economic dependence on defense has compelled it to be aggressive in defense diversification. The state has hired outside consultants to advise the companies in order to make them more competitive and market-strategic.

The state must begin to coordinate with local municipalities, in particular defense dependent regions, to diversify within a plan of development. McGhee encouraged linkage between state and municipal policy. He felt aid should not be limited to the prime contractor base.

In an effort to make Connecticut more business-friendly, the state is providing almost \$250 million per year in direct assistance, streamlining the delivery of service and privatizing services. Financial institutions and the state must work together to make capital accessible to businesses. (Groton Hearing Transcript pp. 49-53)

Mr. Mel Olsson
Marine Draftsmen's Association
UAW Metal Trades Council

Summary of Presentation: Mr. Olsson was with General Dynamic's Electric Boat Division for 31 years and discussed the belief that the members of his union are already highly skilled; they need jobs, not retraining. Lay-offs and cutbacks have a domino effect within communities on schools, health care, real estate, etc. A further concern is the protection of retirement benefits and tax shelters for retirement investments such as IRAs. (Groton Hearing Summary pp. 53-55)

Mr. Kenneth de la Cruz
President, Marine Draftsmen's Association

Summary of Presentation: Mr. de la Cruz stressed the human element of the drawdown and suggested a GI Bill to provide relief. He believes

that workers should be eligible for retraining programs before they are laid-off. Electric Boat has made efforts to diversify to transportation and broaden their market to foreign sales. He sees the NAFTA agreement as a threat to American jobs. (Groton Hearing Transcript pp. 55-57)

Mr. Peter G. Meade
The New England Council, Inc.

Summary of Presentation: Meade supported providing worker retraining before lay-offs. He encouraged the transfer of technology for dual-use opportunities, as well as increased Federal funding of existing worker aid packages. (Groton Hearing Transcript pp. 57-59)

Mr. Lou Tedeschi
President, Defense Diversification Strategies

Summary of Presentation: The Government should provide incentives for companies trying to diversify. Further, IR & D should be allowed more flexibility to expand "range of product development" under Government contracts. If the rules encouraged the full development, from product development to launching a new product, existing funds would be more fully used. Linking manufacturing and purchasing companies together may expedite the development of dual-use technologies. (Groton Hearing Transcript pp. 57, 59-61)

Dr. Peter LaPlaca
Vice president, Defense Diversification Strategies

Summary of Presentation: As a professor of marketing at University of Connecticut, Dr. LaPlaca spoke to the differences and challenges that face a defense contractor converting to a civilian marketplace. Knowledge of specific defense customers, oversight by Congress, lack of marketing, lack of middleman, and public dissemination of DoD needs define a contractor's business process. Yet, in the public sector, the company may not know the customer; there's little oversight; marketing often is critical to producing profits. This leads to a need for marketing strategy in development and distribution. (Groton Hearing Transcript pp. 59-61)

Mr. Ken Wexler
Vice president, Defense Diversification Strategies

Summary of Presentation: Establishing a network of contractors and subcontractors identifies the commercial group affected by the drawdown. Establishing the universe of companies assists in distributing aid and garnering feedback for setting assistance policy. Committees of prime contractors have been established to set legislative policy and aid in financial assistance. (Groton Hearing Transcript pp. 61-64)

Mr. Brian Beaudin
Connecticut Business and Industry Association

Summary of Presentation: His business organization, with over 7,000 members, represents employers in the state. He argued for the DoD to require its contractors and subcontractors to examine other markets and alternative uses for their products. (Groton Hearing Transcript pp. 64-66)

Ms. Joanne Sheehan
Community Coalition for Economic Conversion

Summary of Presentation: Ms. Sheehan's organization represents a network of organizations and individuals in Southeastern Connecticut who are concerned about the negative consequences of the drawdown. She described Groton's long-standing and tumultuous history as a defense-dependent town. She believes that there should be community control of Federal assistance money. (Groton Hearing Transcript pp. 66-70)

Ms. Fran Boulay
Office of Justice and Peace
Representative of the Bishop, Norwich Diocese Catholic Church

Summary of Presentation: Ms. Boulay read the statement from the Bishop. He writes that the arms race has consumed large quantities of the world's resources. The race has particularly affected the disenfranchised and marginal societal groups. It would be his hope that the Federal Government would be able to channel the available resources to more constructive activities. (Groton Hearing Transcript pp. 70-73)

Ms. Patricia Wass
Connecticut SANE/FREEZE

Summary of Presentation: The grassroots organization fears that defense dependence has adversely affected Connecticut's priorities and left it vulnerable during the drawdown. Ms. Wass strongly states that Congressional funding of the conversion effort is insufficient and calls for a new, national, industrial policy to convert our industries to more constructive uses. (Groton Hearing Transcript pp. 73-76)

Mr. Andrew Romegialli
International Association of Machinists District 91

Summary of Presentation: Representing the 15,000 workers of Hamilton Standard and Pratt & Whitney with a bargaining unit, Mr. Romegialli expressed some of the human interest concerns with the layoffs and decreased defense resources. He stated that valuable talents and skills may be lost, creating a long-term inability for companies to regain their standing. He calls for a national, industrial policy and for a requirement for the Department of Defense to buy all-American products. Romegialli called for worker involvement in the conversion or diversification process. He states that the Federal Government should put a "mandate" on corporations to "come together and build." (Groton Hearing Transcript pp. 76-81)

Rev. Robert Taylor
Episcopal Diocese of Connecticut

Summary of Presentation: Rev. Taylor spoke of the human suffering associated with the decrease in defense expenditures. Health care, real estate, food, education and spiritual well-being are adversely affected. He feels the spirit of the people of Southeastern Connecticut was in crisis. (Groton Hearing Transcript pp. 81-83)

Mr. Tom Moukawsher
State Representative Groton/New London

Summary of Presentation: Moukawsher represents the state legislative district which includes Electric Boat. He strongly feels the country needs an industrial policy. While we may have the infrastructure, we lack the coordination and direction for an effective, overall policy. In addition, he calls for the civilian equivalent of DARPA. The Government should nurture growth-potential companies and encourage

low performing companies to convert to other industries. However, jobs should be kept here and not sent abroad. Mr. Moukawsher feels strongly that the strength of the Navy should be maintained because it is the most difficult to build up. He states that control of the sea lanes directly affects the flow of imported raw materials and export products. He encourages treating our industrial competition like a military situation. (Groton Hearing Transcript pp. 83-87)

Ms. Elyse Cann
Machine Action Project

Summary of Presentation: The Machine Action Project, a state-funded agency created in 1987 in an attempt to stem the loss of jobs in the metalworking industry of Western Massachusetts, has sought to use Federal and state assistance effectively. The agency was hired by the state's Industrial Services Program to conduct research on the defense industry and "ascertain the level of defense-dependency in the state" and study how small firms are dealing with the defense budget downsizing. The survey yielded concerns about foreign competition, lack of credit and the cost of health insurance, in addition to the decreasing number of defense contracts.

The survey identified the following points. Small firms are not hiring and feel animosity towards the Federal Government and the state for favoring larger firms. NAFTA is seen as a direct threat to small manufacturers. In addition, manufacturers are asked to have a range of products available which may not be purchased. Lack of marketing ability and demands for current technologies and trained staff further strain the small firms' ability to remain competitive. Moving these defense-dependent firms to the commercial marketplace will require support. Cann suggests an economic conversion agency, jointly administered by Labor and Commerce. Assistance centers should be established throughout the country to train workers and managers. Prime contracts in excess of a million dollars should be required to plan for alternative use of the production process. Smaller firms should be given incentives to plan for commercialization. (Groton Hearing Transcript pp. 87-93)

Mr. William Moore
Southeastern Connecticut Chamber of Commerce

Summary of Presentation: Mr. Moore represents five Chambers of Commerce with 6,000 businesses in New London County. Regional

Economic Models, Inc., of Amherst, MA, did a report on the results of defense cutbacks in the region indicating that by 1997 between 13,000 and 27,000 jobs will be lost, \$746 million will be lost in personal income and regional output will decline by 10-25%. Mr. Moore's organization proposes "the permanent extension of selected expiring tax provisions, including the Research and Experimentation Tax Credit and Allocation Rules, the Education Assistance Exclusion and the 25% deduction for health insurance for the self-employed." He cites a Department of Commerce figure which estimates an \$18 billion increase over five years in research and experimentation investments. Further, reducing the capital gains tax rate for individuals and corporations and indexing it to inflation is another method of support. The active/passive tax laws for real estate investment need to be evaluated to eliminate additional taxes in the real estate markets. Intellectual knowledge loss in affected areas should be avoided by funding think-tanks and marketing intellectual talent to foreign countries. (Groton Hearing Transcript pp. 93-95)

Mr. Kenneth F. Payne
Office of Senator Clairborne Pell

Summary of Presentation: Mr. Payne summarized the Senator's statement for the Commission. Developing a vision for long term needs and utilization of resources will be crucial in formulating effective strategies for conversion and economic recovery.

Lack of interstate cooperation is one roadblock to taking full advantage of opportunities. In an effort to aid displaced workers, it is necessary to "utilize resources available within the Defense Department and the Armed Services." Health care should be available through DoD for unemployed defense workers formerly employed by a prime or subcontractor. (Groton Hearing Transcript pp. 95-99)

Ms. Nancy Langrell
Office of U.S. Representative Jack Reed

Summary of Presentation: Ms. Langrell submitted Congressman Reed's testimony but made no statement. (Groton Hearing Transcript p. 97)

Mr. Barnaby W. Horton
Office of State Senator John B. Larson

Summary of Presentation: Mr. Horton represented Senator John Larson. In 1990, Senator Larson and Congressman Sam Gejdenson co-sponsored a Connecticut Conference on Economic Diversification to explore diversification and related issues within the state. Connecticut House Bill 63.91 resulted, which created a funding mechanism through a bond authorization to aid defense contractors diversify their businesses.

In an effort to assist economic conversion, the Connecticut State Legislature adopted legislation to "redefine manufacturing for the purpose of tax relief." Included are initiatives on international trade assistance, including the establishment of a trade show assistance fund to stimulate exports, make improvements to promote tourism, a partial rebate for real property taxes for manufacturers in distressed areas, and \$110 million in loan guarantees for the Connecticut Works Job Fund. The Act also expands the range of businesses eligible for defense diversification funds under the Manufacturing Assistance Act. (Groton Hearing Transcript pp. 99-100)

Mr. Ronald Petronella
Connecticut Department of Labor

Summary of Presentation: Mr. Petronella is the Connecticut State Commissioner of Labor. The state's plan from the Commission on Business Opportunity, Defense Diversification and Industrial Policy, stresses a globally competitive education and training system that continually produces and trains skilled workers; equitable and less expensive systems of unemployment and workers compensation; spending to create infrastructure for energy, transportation, telecommunications and housing. The plan includes channelling money for insurance and training to laid-off workers from Electric Boat and United Nuclear. Further, the state plans early intervention service for those military personnel separating from active duty. This activity is part of the Federal Transition Assistance Program (TAP). (Groton Hearing Transcript pp. 100-103)

Mr. Carl Rood
Innovative Design & Casting

Summary of Presentation: Mr. Rood, Vice President of Innovative Design and Casting, began his business after working in the Naval Intelligence for two years with submarines. Mr. Rood has conceptualized a barge which processes effluent. Rood believes that its manufacture would be appropriate to the area and meets environmental needs. He has been unsuccessful in moving to the development stage, and feels that this is one example of unsatisfactory allocation of resources and priorities in the United States. Further, he feels that health care is too expensive for most business owners and the businesses should have access to Government products or facilities no longer in use. Military personnel, with their motivation and training, should be used within the health care infrastructure.

(Groton Hearing Transcript pp. 103-105)

Mr. Ed Munster
Connecticut State Senator and U.S. Congressional Candidate

Summary of Presentation: To protect Connecticut and his constituents, Mr. Munster encourages diversification in the local economy. He asks that special consideration be given to defense workers in light of their contributions.

When questioned about the credit availability situation, Mr. Munster acknowledges the cautiousness of the banks has limited credit available to the business community, particularly to small firms. He also recognizes that Connecticut has a reputation as being unreceptive to business. The state responded to the situation by developing a tax abatement program allowing local communities to abate the local property taxes for up to three years to 50% of the value of the expansion. (Groton Hearing Transcript pp. 105-108)

FINDINGS FROM THE SEATTLE HEARING, SEPTEMBER 24, 1992

The following are recurrent themes from the aggregate testimony, in order of frequency mentioned.

- * *Federal spending to affected states and cities should increase.*
- * *Job creation and training programs need to increase.*
- * *Veterans and defense engineers need to be recognized for their competence and ability to transition to the commercial/private sector.*
- * *The Federal Government should coordinate conversion (with local control) and encourage diversification.*
- * *Improve the acquisition process and use commercial standards.*
- * *Improve the availability of small business capital and IR&D funds.*

SEPTEMBER 24, 1992 DEFENSE CONVERSION COMMISSION HEARING, SEATTLE, WA

The Defense Conversion Commission held its sixth regional hearing on September 24, 1992, in Seattle. DCC participants: Chairman Berteau, Commissioners Dahlman, Dube, Higgins, Lavin, and May. DCC staff members present: Hanley, Barlow, and Gilmour.

Witnesses:

Ms. Margaret Shield
Washington State SANE/FREEZE

Summary of Presentation: Asserted that the Government's reluctance to deal with the need for conversion is a greater threat to the economy than a large reduction in defense spending. Noted "disturbing" trend of defense contractors relying more and more on foreign military sales. Called for Federal coordination of conversion efforts with grants and economic assistance emphasizing flexibility and local decision-making. Advocated reinvestment of military savings into such things as environmental cleanup, alternative energy production, health research, transportation. (Seattle Hearing Transcript pp. 8-17)

Mr. Paul Knox
Washington State Department of Community Development

Summary of Presentation: Pointed out that economic conversion policies "are really just a subset of economic development." Sees a facilitating role for Government (especially in providing resources), but feels conversion must be driven at local and regional levels. Noted broad-based desire for national strategies to help businesses. Urged timely environmental cleanup of military facilities, with parcelization to improve re-use. Also recommended promoting industrial extension programs, and assisting the creation of flexible manufacturing networks. (Seattle Hearing Transcript pp. 17-30)

Mr. Dan Hartley
President, Seattle Professional Engineering Employees Association

Summary of Presentation: Urged the United States not to let our engineering force dissipate. Said the country will be able to compete so

long an edge in the "experience level" of our people is maintained.
(Seattle Hearing Transcript pp. 31-40)

Mr. Louis Chirillo
Shipbuilding Management Consultant

Summary of Presentation: Identified the need to modernize shipyard management per Peter Drucker's 1958 advice. Written testimony discusses traditional operations, rationalized operations, and applicability of new techniques to work other than ship-related activities. Urged that DoD force the modernization of public yards, which would bring the private yards along to more effective performance and quality. (Seattle Hearing Transcript pp. 40-51)

Mr. Russell Beliveau
Vice President, Foundation Health Corporation, Champus Reform Initiative (CRI) Program Management

Summary of Presentation: Discussed performance of managed health care program. DoD has recognized that the only way to contain rapidly increasing health care costs is to manage and control those costs. Cost savings to the Government are \$75 million over five years. Under CRI, costs have been contained to a 2 percent annual increase compared to a nation-wide increase of 16 percent. (Seattle Hearing Transcript pp. 51-61)

Dr. Phil Bereano
21st Century Project, University of Washington

Summary of Presentation: Described a project proposal that would explore democratic decision-making on technology policy. Proposal would stimulate discussion among a broader audience than just the academic world currently involved. (Seattle Hearing Transcript pp. 61-69)

Mr. Tony Lee
Legislative Director, Washington Association of Churches

Summary of Presentation: Identified national involvement and planning of economic conversion as a high priority. The Federal Government should be the lead player. The decreasing defense budget results from changed national priorities. Communities and workers should not have to bear the burden without Federal assistance. States

lack the resources to support the conversion effort. (Seattle Hearing Transcript pp. 69-78)

Ms. Ellen Robinson
Former Defense Engineer

Summary of Presentation: Federal priorities and money have created vast technical expertise in the defense area and directed our industrial development. However, this expertise has been focused on meeting performance specifications, and is not driven by cost or standardization as in the commercial realm. The Federal Government will have to be involved in conversion. Some engineering specialties are particularly focused and difficult to convert, but many specialties do transfer. (Seattle Hearing Transcript pp. 78-89)

Ms. Anci Koppel
Seattle Women Act for Peace

Summary of Presentation: Job loss from defense cutbacks cannot be treated separately from the nationwide unemployment problems. Significant resources must be devoted to specific social areas that have been lacking in the past. (Seattle Hearing Transcript pp. 89-101)

Dr. Delore Zimmerman
Mr. Dean Hanney
Meta Dynamics, Incorporated

Summary of Presentation: Described program of enterprise homesteading, a national entrepreneurial assistance system to link would-be entrepreneurs with communities and opportunities, as well as sources of business information and advice. This could fill a need left unfilled by TAP for the 15 percent of those would-be entrepreneurs leaving the service. (Seattle Hearing Transcript pp. 101-108)

Mr. Paul Kostek
Sunstrand Data Control, Inc., IEEE Engineering Manpower Committee

Summary of Presentation: Described the impact of conversion on engineers in three areas - urged tax credits for companies hiring and retraining engineers, streamlining of the DoD business practices to increase both commercial activities and allow greater teaming of firms, assistance from DoD in changing people's perception of the adaptability of engineers (i.e., defense-sector engineers can, in fact, be retrained and

work in the commercial sector.) (Seattle Hearing Transcript pp. 108-118)

Mr. Edward Cruver
Washington State Employment Security Department

Summary of Presentation: Described systems in place for employment training and a coordination board designed to provide overall policy coordination. In Washington state, the local Private Industry Councils are closely aligned with the economic development system. Some pooling of funding grants has taken place for special models and projects, and such pooling could increase the system's flexibility. (Seattle Hearing Transcript pp. 119-124)

Mr. Bill Jenkins
Fraser, Inc.

Summary of Presentation: Described the performance and results of building the T-AGOS ships to commercial specifications and standards, and urged for greater use of commercial standards. Also recommended that cooperative ventures between the Federal Government and companies be required to use commercial standards. Asked whether, and answered in the affirmative, that the nation needs a Merchant Marine. (Seattle Hearing Transcript pp. 124 -131)

Mr. Lyle Anderson
State Director, Small Business Development Center (SBDC),
Washington State University

Summary of Presentation: Urged that the Commission consider supporting the creation of a defense adjustment assistance program designed to provide direct assistance to small and medium-sized businesses operating in affected areas. Described the counseling and advisory service offered by SBDCs, and the range of connected organizations and assistance that the SBDC can offer. Claimed that the in-depth counseling offered to 2,500 businesses each year results in more than 750 jobs created and \$25 million in new investment in Washington state. (Seattle Hearing Transcript pp. 131-147)

Ms. Frankie Montague

Veteran's Employment Representative, Oregon Department of Human Resources

Summary of Presentation: Identified the problems Job Service is facing in trying to place veterans (voluntary layoffs) who have moved to Oregon seeking work. Their military skills are discounted significantly by employers, and the veterans are not eligible for anything through the dislocated worker program. (Seattle Hearing Transcript pp. 147-158)

Command Sergeant Major Lourdes Alvarado-Ramos
Madigan Army Medical Center

Summary of Presentation: Made observations about the soldiers departing Fort Lewis voluntarily and involuntarily through the transition program. The program is a model program for aiding active-duty military, but the number of servicemembers leaving overwhelms the program. Recommended that transition funding be increased, and that soldiers be allowed to retrain while on active duty to gain licenses and approval for their military skills in the civilian world. Recommended that a campaign be devised by DoD, the local installations, and the Chamber of Commerce to highlight the advantages of hiring individuals with military experience. Soldiers don't trust the Government to provide the VSI (Voluntary Separation Incentive) annuity over time, so they take the lower-valued, one-time SSB (Special Separation Bonus) option instead. (Seattle Hearing Transcript pp. 158-174)

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